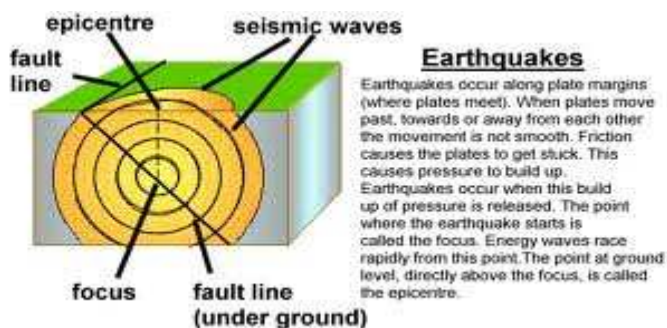


October 8, 2012

**Natural Gas Trends****Highlights****FRACKING: A TALE OF TWO EXPERTS**

A North Dakota geologist says an earthquake in the western oil patch is not connected to hydraulic fracturing. The Friday quake about 11 miles southeast of Williston registered at magnitude 3.3 — enough to be felt but not strong enough to cause damage. Geologist Fred Anderson with the state Mineral Resources Department tells The Bismarck Tribune that the quake was consistent with historical seismic activity in the region. He says speculation that oil field fracking might have caused it isn't plausible.



Three unusual earthquakes that shook a Dallas suburb over the weekend may be connected to fracking operations, according to a local geophysicist who has studied earthquakes in the region. Data from the US geological survey showed the first earthquake, which hit at 11:05 pm CDT (6:05 pm GMT) Saturday, measured at a magnitude of 3.4 on the Richter scale. A few minutes later a 2nd quake measuring 3.1 struck. These were followed on Sunday by a 3rd Quake measuring 2.1. Despite a volley of emergency calls, no injuries were reported. Cliff Frolich, a senior scientific researcher and associate director at the University of Texas' Austin Institute for Geophysics, does not believe these quakes are a coincidence.

Source:

<http://www.texasenergyreport.com/NewsClips/NewsClips.cfm>**Data**

- November Natural Gas Futures Contract (as of Oct. 5), NYMEX at Henry Hub closed at \$3.396 per million British thermal units (MMBtu)
- November Light, Sweet Crude Oil Futures Contract (as of October 5), NYMEX at Cushing closed at \$89.88 per U.S. oil barrel (Bbl.) or approximately \$14.31 per MMBtu

**Last week: Texas, U.S. CDD lower than normal**

For the week beginning 9/30/12 and ending 10/6/12, cooling degree days (CDD) were higher than normal for Texas and lower than normal for the U.S. For the cooling season (1/1/12 to 12/31/12), cumulative cooling degree days were 16% above normal for Texas and 23% above normal for the U.S.

Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 9/29/2012	*Week CDD + / - from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	4	-13	1983	49%
Austin	39	-13	2912	5%
DFW	39	-10	3154	27%
El Paso	611	128	2382	27%
Houston	59	-6	3255	22%
SAT	55	-16	3289	17%
Texas**	44	-11	2881	16%
U.S.**	24	4	1429	23%

\* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDD are calculated.

\*\* State and U.S. degree days are population-weighted by NOAA.

**Last week: U.S. natural gas storage at 3,653 Bcf**

For the week ending 9/28/12, U.S. working gas in storage rose from 3,576 to 3,653 Bcf, compared to 3,381 Bcf in storage a year ago and compared to an average of 3,372 Bcf in storage during the 5-year period from 2007 to 2011. Working gas in storage in the producing region (which includes Texas) increased from 1,153 to 1,180 Bcf.

Source: [www.eia.doe.gov](http://www.eia.doe.gov)

U.S. WORKING GAS IN STORAGE				
Region	Week ending 9/28/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,963	1,921	42	+ 3.7%
West	510	502	8	+ 10.2%
Producing	1,180	1,153	27	+ 16.0%
Lower 48 Total	3,653	3,576	77	+ 8.3%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

### Last week: U.S. gas rig count down 19

The gas rig count for the U.S. was up 2 when compared to the prior week and down 498 when compared to 12 months ago. The total rig count for the U.S. was down 11 for the week and down 175 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs.

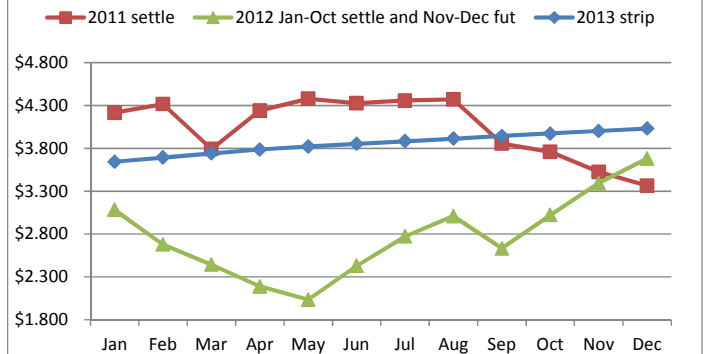
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 10/5/2012	+/- prior week	Year ago	+/- year ago
Texas	868	-10	912	-44
U.S. gas	437	2	935	-498
U.S. oil	1398	-12	1070	328
U.S. total	1837	-11	2012	-175
Canada	372	13	522	-150

Numbers are excerpted and not meant to be totaled

**Strip prices.** Natural gas strip prices for 2013, shown below in blue, are the average of daily settlement prices for the next twelve months of natural gas futures contracts.

### NYMEX NATURAL GAS PRICES: 2011 - 2013

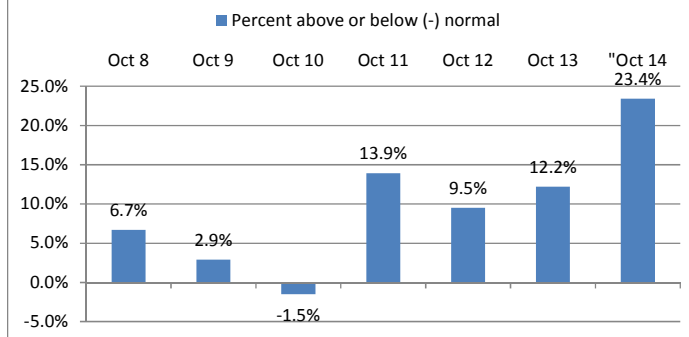


### This week: U.S. energy use predominately up

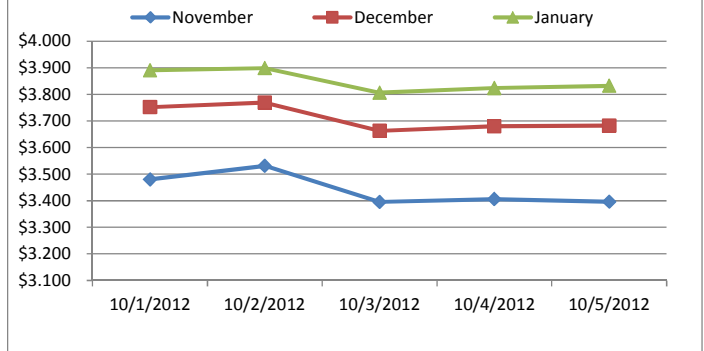
U.S. energy use is a mixed bag with energy use modestly up during the early part of the week with more robust usage later in the week. According to the Dominion Energy Index, as shown below, Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

### U.S. ENERGY USE FORECAST



### LAST WEEK: NYMEX HENRY HUB FUTURES PRICES



### NATURAL GAS PRICE SUMMARY AS OF 10/05/2012

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US November futures				
NYMEX	\$3.396	\$0.076	-\$0.363	\$3.525

Source: Platts Daily

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